

Memorandum of the Meeting
Regular Study Session/Meeting
Twenty-Sixth Town Council of Highland
Monday, August 1, 2011

The regular session of the Twenty-Sixth Town Council of the Town of Highland was convened at the regular place, the Highland Municipal, 3333 Ridge Road, Highland, Indiana, in the plenary meeting chambers on **Monday, August 1, 2011** at the regular time of 7:10 o'clock p.m.

Silent Roll Call: Councilors Brian Novak, Dan Vassar, Bernie Zemen, Mark Herak, and Konnie Kuiper were present. The Clerk-Treasurer Michael Griffin was present to memorialize the proceedings. A quorum was attained.

Also present: Katy Dowling, IAMC, Deputy Clerk-Treasurer; Robin Carlascio and Theresa Badovich of the Idea Factory were also present.

Nick Adams, All-State Insurance Agent and Miki McFatrige, All-State and American Heritage Life, were also present.

General Substance of Matters Discussed

1. The Town Council received a presentation from Nick Adams of All-State and Miki McFatrige also of All-State, regarding certain special supplementary insurance products that would be made optionally available, employee owned with premiums paid through payroll deductions. The special products included, Supplemental Disability Insurance, Supplemental Accident Insurance, Supplemental Health Insurance, Supplemental Critical Illness Insurance, Supplemental Cancer and Catastrophic Illness Insurance and a life insurance product.

It was noted that the Town presently has AFLAC in place.

2. The Town Clerk-Treasurer presented the state of the Treasury for FY 2011 based upon the final DLGF Budget Order and discussed the implications this carries for the FY 2012 Budget Process. The Clerk-Treasurer presented the following report giving the status of the major operating funds, subject to the maximum levy limitation and noting the erosion of fund balance in all cases.

Fund Budgets

FY 2011	GENERAL FUND	PARKS & REC FUND	REDEVELOPMENT General FUND	POLICE PENSION FUND
Expenditures				
All departments	\$ 7,816,437.00	\$1,821,257.00	\$ 144,332.00	\$ 749,675.00
Subtotal	\$ 7,816,437.00	\$1,821,257.00	\$ 144,332.00	\$ 749,675.00
Revenues				
Miscellaneous	\$ 2,853,775.00	\$ 838,016.00	\$ 8,860.00	\$ 716,737.00
Property Tax	\$ 4,649,369.00	\$1,088,370.00	\$ 144,332.00	\$ 28,968.00
Subtotal	\$ 7,503,144.00	\$1,926,386.00	\$ 153,192.00	\$ 745,705.00
Net Income (Deficit)	\$ (313,293.00)	\$ 105,129.00	\$ 8,860.00	\$ (3,970.00)

Fund Budgets

FY 2011

	GENERAL FUND	PARKS & REC FUND	REDEVELOPMENT General FUND	POLICE PENSION FUND
<i>Deductions or Adjustments</i>				
Loan to repay	\$ 2,650,000.00	\$ 300,000.00	\$ -	\$ -
Circuit Breaker	\$ 38,218.31	\$ 8,946.52	\$ 1,097.06	\$ 238.12
Deficit	\$ 313,293.00	\$ (105,129.00)	\$ (8,860.00)	\$ 3,970.00
Encumbered				
Exp from 2010	\$ 383,753.60	\$ 60,970.61	\$ 12,878.78	\$ -
Collection Rate Adj	\$ 162,727.92	\$ 38,092.95	\$ 5,051.62	\$ 1,013.88
<i>Changes in cash balance</i>				
Cash at Jan 1	\$ 2,340,529.63	\$ 149,095.34	\$ 125,610.29	\$ 320,521.09
Cash at Dec 31	\$ 1,442,536.81	\$ 146,214.26	\$ 115,442.83	\$ 315,299.09
Delta	\$ (897,992.83)	\$ (2,881.08)	\$ (10,167.46)	\$ (5,222.00)
<i>Previous Year</i>				
Prior Property Levy	\$ 4,731,431	\$ 999,150	\$ 139,224	\$ 59,198
Prior Total Income	\$ 7,699,348	\$ 1,894,999	\$ 151,594	\$ 748,440
Operating Reserve				
Two months	\$ 1,302,739.50	\$ 303,542.83	\$ 24,055.33	\$ 124,945.83
Three months	\$ 1,954,109.25	\$ 455,314.25	\$ 36,083.00	\$ 187,418.75
Four months	\$ 2,605,479.00	\$ 607,085.67	\$ 48,110.67	\$ 249,891.67
Six months	\$ 3,908,218.50	\$ 910,628.50	\$ 72,166.00	\$ 374,837.50

The Clerk-Treasurer further reported that for FY 2012, many departments begin in arrears as there are increases fixed for the Civil PERF rate for the pensions and the Police PERF rate for the public safety pensions that support the defined benefit pensions for those workers. He further noted that civil rate going from its current 8% of covered payroll will increase 15% to 9.25%. The public safety rate going from its current 19.5% of a first class patrol officer pay plus 20 years longevity will increase 1% to 19.7%. It was noted that there are no new revenues and some reductions because of the allocation shift of excise taxes to the debt service funds as the debt service has been increased. It was further noted that group health insurance may experience increases between 10-12%. With this, the Clerk-Treasurer added the following additional information:

Depending whether or not the Town uses a 10% estimated increase or a 12% estimated increase for the group health insurance, these increases present complications, for the FY 2012 budget. The effects of the *increased costs* to operations owing to health insurance and pension rate increases are detailed in an exhibit also presented to the Councilors, which is summarized as follows:

	Insurance at 10% & PERF increases	Insurance increase at 12% & PERF increases
General Fund Departments:		
Office of the Clerk-Treasurer	\$ 5,267.00	\$ 6,110.00
Fire Department	\$ 1,793.00	\$ 2,066.00
Police Department	\$ 77,114.00	\$ 91,394.00
Building & Inspection Department	\$ 5,231.00	\$ 6,162.00
Sanitation Department*	\$ 20,686.00	\$ 23,981.00
*(The sanitation department is listed with the General Fund, where it currently resides. However, it is expected that this will be placed with Sanitary District Operating Fund, in FY 2012.)		
Total Fund Increases:	\$110,894.00	\$129,714.00
Parks and Recreation Fund:	\$25,669.00	\$30,102.00

Redevelopment General Fund:	\$1,656.00	\$1,917.00
Sanitary District Operating Fund	\$1,185.00	\$1,185.00
<i>(The Sanitary District General pays only the per rates. Its enterprise funds support the other costs.)</i>		

The Clerk-Treasurer indicated that with projected increases for health insurance, and increases in the PERF rates, cash erosion in the FY 2011 Budget, the effects of 97% collections rates, and **no new revenue**, the budgetary work is as challenged as it has been.

It was further noted that the Indiana General Assembly is considering taking eliminating local **Franchise fees** paid by the cable vendors. It was further noted that a law to do that was introduced in the House in the session just ended. It was at the last minute moved to be a study committee for the summer to explore eliminating this revenue source to all Cities and Towns. It was still further noted that elimination of franchise fees would present a significant loss. Franchise Fees contribute approximately \$280,000 to \$300,000 to the Corporation General Fund.

The Clerk-Treasurer also restated his caution in adding to any new or added expenses before the issue of the forgoing expenses is addressed as well as the condition of fund balances. He noted that there was a discussion regarding using some funds in the 1925 Police Pension Fund to pay for the increases to the Employers costs for the police pension in order to increase the pensions for the 16 retirees in the police pension 1925 plan. The Clerk-Treasurer provided the following funds analysis:

1925 Police Pension Fund Analysis

As described or contemplated in IC 36-8-6-5.5

Cash balance unobligated at 12/31/2008	\$ 126,760.09	
Taxes in course of collection but received after December 31	\$ 87,461.50	
Total:	<u>\$ 214,221.59</u>	
Pension Subaccount at 31 December 2010	\$ 91,488.13	
Cash balance at December 31, 2010	\$ 320,521.09	
Total Resources:	\$ 412,009.22	
Likely liability for Death Benefit		
16 current retirees		
\$12,000.00	\$192,000.00	
		Leads to
		Obligated Balance
Budget for 2011	\$749,675.00	<i>death benefit plus operating balance...</i>
If operating balance is		
One month	\$ 62,472.92	\$ 254,472.92
Six months	\$374,837.50	\$ 566,837.50
Four months	\$249,891.67	\$ 441,891.67
Three months	\$187,418.75	\$ 379,418.75
I recommend either three or four months		
		<u>Unobligated balance</u>
positive	If one month balance used	\$ 157,536.30
negative	If six months balance is used	\$ (154,828.28)
negative	If four months balance is used	\$ (29,882.45)
positive	If three months balance is used	\$ 32,590.47

This identifies possible amount that could be used.

It was further noted that the Special group meeting regarding the feasibility of moving forward on the pension increase proposal. It would try to meet before the next standing study session and be ready to report at the next one.

The Clerk-Treasurer also inquired for guidance for budget instruction particularly regarding how the departments should be instructed to use the 10% or 12% multiplier for health insurance as it prepares the budget. Councilor Herak indicated that he at first instructed the departments to use 10% but was now recommending that a 12% multiplier be used.

The Clerk-Treasurer inquired at what level based upon the forgoing, shall the budgets be advertised. It was suggested that the advertisement should be at the 2011 levels. It was also suggested that the increases described may need to be absorbed within the 2011 level.

The Clerk-Treasurer inquired about the merits of having a separate public safety fund, which would be departmentalized to include the metropolitan police department, the fire department and the volunteers in police services (VIPS) departments, moved from the General Fund, and then given a clear revenue source from the property taxes and the sources that the Council may identify. The Clerk-Treasurer noted that the measure would create more transparency and allow particular allocation of or protection from property tax based deficits.

The Clerk-Treasurer also reported that since the Town Council has some significant debt service already in place, and that Standard and Poors and other rating agencies are focused on the operating reserves that are maintained in key operating funds, it is important to adopt a specific and discrete operating reserve policy – even if it cannot be funded while property tax levies are frozen at 2007 levels.

The Clerk-Treasurer reminded the Town Council that it had informally seemed supportive of moving the solid waste function from the Town Council as Works Board to the Board of Sanitary Commissioners, which would allow the discrete collections powers allowed for fees assessed by that board to be used to collect the outstanding trash fees as well.

There was no further discussion related to the budget measures for FY 2012.

3. The Town Council discussed the status of enforcement of the property maintenance ordinance, discussing in particular some locations where buildings seem to be abandoned or left in profound disrepair. Councilor Vassar requested that the Building Commissioner be invited to meet with the Town Council at a future study session to discuss this matter.
4. The Town Council discussed the license and excise tax enforcement of vehicles in and around the Town, noting that there appeared to be a significant number of out of state license tags on vehicles associated with residential apartments at Hampton in Highland.

There being no further business to come before the Town Council, the regular study session of the Town Council, of **Monday, August 1, 2011**, was adjourned at 8:40 o'clock p.m.

Michael W. Griffin, IAMC/MMC/CPFA
Clerk-Treasurer